

STRATEGIZING THE BUSINESS

WITH FIVE SUBSIDIARIES AND TWO ASSOCIATES WITHIN THE MINING, QUARRYING, TRANSPORTATION AND CONSTRUCTION MATERIALS SECTORS, KUNOOZ OMAN HOLDING IS GEARING-UP TO TAKE OMAN'S MINERAL WEALTH FORWARD, SAYS THE COMPANY'S CEO DEAN CUNNINGHAM. EXCERPTS OF THE CONVERSATION WITH HIM:

What is your perspective of the infrastructure development in Oman?

From our perspective, Oman is an oil reliant economy. If one looks at Oman's current five year plan, the average oil price is estimated to be \$45 per barrel in 2016 rising to \$60 per barrel over the next five years. The net current account deficit is already over RO3.5 billion in the first half of 2016 which doesn't bode well for the infrastructure sector. On that basis, it can be suggested that we will all be seeing a decline in infrastructure spend in Oman in the medium term and a slowdown in future infrastructure development.

Our assessment is that, those projects that are partially completed at date of going to press will be finished. Which means all the tenders and securing of services from contractors and sub-contractors is complete. So there is literally no new projects coming into the market. There may be some pockets of new projects but they will be based outside the infra sector focusing on tourism. The industry as a whole needs to look at restructuring, reducing costs and right sizing for current market conditions.

Under this challenging environment, what is the mandate for you as the business leader?

For us, the focus is on achieving the desired performance. It's all about employment of capital and return on the investment. We are looking at this very aggressively.

Tell us in detail about your revenue sources especially on the exports front.

The non-oil dependent or exports are gypsum, limestone, lime and our support businesses transport and logistics which is moving away from its reliance on its current captive exports to a great contribution from third party business.

KUNOOZ OMAN HOLDING'S SUBSIDIARY COMPANIES

AL RAWAS MINING CO. LLC

The company is based in Salalah and has been granted mining leases for gypsum, situated near Raweya, for searching, quarrying, excavating, transport and marketing of gypsum. Gypsum ore is extracted by the opencast mining method. The company exports its sized products to customers in India, Africa, Qatar, UAE, Bangladesh and Japan, for the construction, cement, glass and fertilizer sectors. The construction sector is the main end user of gypsum, primarily for the production of plaster of paris and plaster boards and the prospects for the sector over the next few years is encouraging with the anticipated high growth in urbanisation and infrastructure development in India, Africa and GCC.

SALALAH READY MIX CO. LLC

The company started its operations in November 2007 and is engaged in the manufacture of crushed stone and washed sand of which the majority is for its own use in the production of readymix concrete (RMC), blocks, kerbstone. It is one of the leading suppliers of RMC products in the Salalah region. In order to maintain a high quality product the batching plant has its own laboratory that systematically tests each batch of RMC prepared for customers and for the production of blocks and kerbstones. The market for RMC as well as blocks and kerbstones has grown significantly over the past years and the outlook continues to remain positive.

AL RAWAS TRANSPORT, TRADING & MACHINERY HIRING CO. LLC

The company is engaged in the business of providing transportation services and hiring of equipment to both sister companies and third parties. The company offers its transportation and hiring services to businesses mainly

in and around Salalah. Its customers are in sectors such as cement, industrial and consumer goods. The company also has the advantage of substantial captive business originating from Al Rawas Mining LLC and on an adhaoc basis Majan Mining LLC, which account for nearly 70% of its revenues. The balance comes from the likes of Raysut Cement and Salalah Mills. The company has a combination of long term, short term and one-off contracts with its clients. The company is in the process of augmenting its vehicle fleet over the next few years.

MIHWAR AL WFAQ LLC

The company operates, quarries and crushes gabbro in the Al Jifnayn area, Wilayat Seeb. The company was allocated a mining lease for gabbro and the first mining report was prepared in 2010, with actual mining activities commencing in 2012. The material quarried consists of a high quality fresh gabbro, which is crushed, screened and graded on-site. This is supplied to customers in the road and construction industry. The market for crushed stone, aggregates and gravel has shown a steady growth in demand over the past 6-7 years.

AL RAWAS MARBLE AND GRANITE CO. LLC

The company was established in March 2005. Marble is quarried in the lbri area which commenced in December 2007. The factory for cutting and polishing of the marble is located in Rusayl which started operations in December 2009 with specialized equipment and machineries imported from Italy. The company mainly produces marble slabs and various types of cut to size marble which find applications in flooring, cladding, kitchen tops, counters, steps and risers, skirting and art work related to the marbles. The products are sold locally and internationally.

These three commodities are very strongly related to urbanization and infrastructure development. Lime and limestone go into the steel industry and steel's per capita consumption is a great proxy for economic growth and gypsum into cement.

India is now in the very same situation China was some 40 years ago, with an aggressive urbanization and infrastructure plan for a significant population base. In addition, a key component for this expansion would be significant quantities of limestone (lime) and gypsum. Oman has these commodities with superior quality and easy access to ports for export. A great opportunity for Oman.

Then we have the East Coast of Africa, with the youngest population following India with a need to urbanize and improve infrastructure to cater for a strong growth and a buoyant mining industry in the central regions. Access through ports in South Africa, Mozambique, Tanzania supporting their own economies and land locked countries such as Zambia, the Congo and Zimbabwe with some of the largest copper and other mining projects are all consumers of limestone, lime and gypsum either directly or indirectly.

Current shipping rates allow us to export gypsum as far as Australia and New Zealand at this stage. Oman has significant resources of these products and the Omani operations are world-class. Oman, from our point of view, is in a strong strategic position to serve two of the fast growing markets, India and Africa for the long term.

Are you also looking at acquiring assets in overseas markets?

Right now we are positioning our business in their respective markets professionalizing our business. We have just secured a significant new

shareholder through a disinvestment process that being the Oman Investment Fund who took up 20 per cent of the Group. Our focus is now on making our assets perform and then to go to an initial public offer (IPO) in 2017. This will be a combination of further disinvestment by the founders of 25 per cent and raising some cash by the issue of new shares so we can invest in some key areas in the current business to meet our strategic growth objectives. There are a number of projects in Oman we are considering.

support the sector?

I think the most important thing required is clarity on all policies which are currently being reviewed. We need clarity so that we could plan for the next 10 years and have a fundamental idea of our operating environment.

The mining sector is our focus and I am an ardent supporter of big gypsum and the limestone businesses in Oman. These are world-class assets and they should be treated with respect and for the benefit of all

There is a significant amount of interest in Oman and we have been the largest privately owned mining company until now. We want to grow the business, we have the technical expertise and competence, we have a proven track-record and now we have to grow and take our business to the next level

You mentioned about the upcoming IPO. What are your plans on that front?

Market conditions allowing we would consider IPO'ing in 2017. If not, we will continue to enhance our existing operations.

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In your opinion, what kind of changes are the need of the hour on the government policy front to

stakeholders with the opportunity to generate significant long term returns.

How are you trying to bring the change within the organization, within the group companies?

Kunooz was consolidated in early 2014 and I came on board in October that same year with a mandate to professionalize the organization, to stream line it and optimize and to look for global opportunities. We have brought in changes to the operations by injecting high quality skills across the Group improving the operation, infusing new talent with different skills and removing the excess or those who are unable to align with the management strategy.